

# UNNUMBERED LETTERS ISSUED FOR THE MONTH OF NOVEMBER 2005

Dated	Subject	Distribution
11-02-05	Interim Guidance for Feasibility Analysis of Critical Access Hospitals	S/D
11/3/05	Business and Industry Guaranteed Loan Program State Loan Committee Procedures	S/D
11-04-05	Fiscal Year 2006 Anticipated Fund Use Survey	S/D
	Acting State Director in Michigan	N.O. Officials & S/D
11-08-05	Compliance with the Improper Payments Information Act Section 521-Rental Assistance Program	S/D
	Rural Development Business Programs Guidance for Disaster with Presidential Declaration-Loan Payment Deferral	S/D
	Community Development Technical Assistance Handbook	S/D
11-09-05	Subsidy Repayment Agreement	S/D
11-15-05	Scheduling of Use-or-Lose Annual Leave	S/D & N.O. Officials
11-21-05	Shuttle Schedule	N.O. Employees
11-22-05	Section 523/524 Site Loan Servicing	S/D
11-29-05	Section 504 of the Rehabilitation Act of 1973 Requirements	S/D & N.O. Officials
11-30-05	Fiscal Year 2005 State Internal Review Summary Report	S/D
	Faith-Based and Community Initiatives (FBCI) teleconference	S/D

November 2, 2005

TO: State Directors  
Rural Development

ATTN: Community Programs Directors

FROM: Russell T. Davis      *(Signed by Russell T. Davis)*  
Administrator  
Rural Housing Service

SUBJECT: Interim Guidance for Feasibility Analysis of Critical Access Hospitals

The purpose of this unnumbered letter and attachments is to provide guidance and information to State Offices to assist them in the financial and technical evaluations of proposals submitted by Critical Access Hospitals (CAH's) for Community Programs financing.

During the Rural Development Training Conference a three-day track on CAH's was conducted. While we provided significant training at the National Conference, a tremendous need for follow-up training and additional reference material was indicated and we feel it is important to continue to provide our field offices with the best resources available when dealing with rural health related issues. In an effort to follow-up on that need, we have researched information we believe will be helpful in several areas of financial and technical evaluations to include the following:

**1. Financial Indicators (also referred to as ratios)**

Based on a number of dockets reviewed by the National Office for concurrence, it was concluded that the overall quality of the financial feasibility reports was less than desirable and would not suffice as the financial feasibility analysis.

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Community/Business Programs

Understanding a loan applicant's strengths, weaknesses and competition is vital when making key financial decisions. Financial analysis is part of the financial decision making process. As a decision maker, you must be able to use the analytical techniques of financial analysis. Most hospitals, health systems and other healthcare organizations routinely evaluate their financial condition by calculating various ratios and comparing the values to those for previous periods, looking for differences that could indicate a meaningful change in financial condition. Many healthcare organizations also compare their own ratio values to those of similar organizations, looking for differences that could indicate weaknesses or opportunities for improvement.

Comparisons with other organizations are only as useful as the degree to which the organizations are similar. Contrasting the financial positions for a Critical Access Hospital (CAH) with that of a major teaching hospital is not informative because the two hospitals have vastly different missions. Therefore, one key element in financial statement analysis is the collection of financial data for similar hospitals.

The Flex Monitoring Team, which is comprised of the staff from The Rural Health Research Centers at the Universities of Minnesota, North Carolina and Southern Maine, conducted a study that developed and disseminated comparative financial indicators specifically for CAH's using Medicare Cost Report (Healthcare Report Information System) data. Among the identified 114 financial ratios that have proven useful for assessing financial conditions, only 20 indicators deemed appropriate for assessment of a CAH's financial condition were chosen. These 20 indicators were selected based on the following financial performance dimensions:

- **Profitability**
- **Liquidity**
- **Capital**
- **Revenue**
- **Cost**
- **Utilization**

Attachment 1 further describes the 20 indicators and performance dimensions.  
Attachment 2 rates the usefulness of each of the 20 indicators.

CAH's face a set of challenges disparate from non-CAH hospitals, so the development of financial indicators specific to their environment is critical in performance assessment. Because these hospitals tend to have a higher risk of

financial insolvency, assessing their financial performance is key to ensuring their long term financial survival. The study attempted to provide CAH administrators with a set of comparative financial indicators designed specifically for small, Medicare cost-based reimbursed hospitals. The study is a genuine collaboration between a university-based research team and practitioners with experience and expertise in the financial management of CAH's. Together both parties worked to produce financial indicators that CAH boards and management can use to improve the financial management of their organizations. The full report may be viewed or downloaded from the Flex Monitoring Team website at [http://flexmonitoring.org/documents/BriefingPaper7\\_FinancialIndicators.pdf](http://flexmonitoring.org/documents/BriefingPaper7_FinancialIndicators.pdf).

## **2. Formats**

Generally, an independent financial feasibility analysis is required for replacement or renovation of CAHs. Based on a number of dockets reviewed by the National Office for loan approval concurrence, many of the financial feasibility reports submitted do not meet the requirements of the regulations and suffice as the analysis. Exhibit A of RD Instruction 3575-A is an outline that may be used as a guide for the preparation of financial feasibility reports. The guide is a basic format that contains minimal guidelines and the report's writer is expected to fully disclose and analyze all significant factors that may have a favorable or adverse effect on the financial success of the proposed facility. Attachment 3 is a detailed format that contains guidelines for preparing feasibility studies for Hospitals. The format offers sufficient documentation to determine economic feasibility as well as financial viability.

## **3. Technical Feasibility**

Guide 6 to RD Instruction 1942-A contains an outline used as a guide when preparing preliminary architectural reports. At the Rural Development Training Conference technical staff was made aware that a CAH prototype was available and encouraged to utilize the CAH prototype as a guide to provide appropriate designs and help control project costs when reviewing CAH proposals. There are two websites on the Agency intranet that have information on the CAH prototype project. One is the presentation that was provided at the CF track. It is located in the CF track information at <http://teamrd.usda.gov/rd/conference05/CFtrack.htm>. The second site is the two page brochure that BBH Design prepared to describe the prototype project. It is located in the Architect/Engineers track information at <http://teamrd.usda.gov/rd/conference05/CAH2pagerevised.pdf>. The CAH Prototype has received approval for printing and will be distributed soon. It is important that program staff work closely with technical support staff when working with applicants to assist in the preparation of a sound architectural study.

#### **4. Predevelopment Cost**

Based on discussions with lenders, other agencies and state offices, a major issue is assessing the ability of a CAH to provide funds for predevelopment costs.

These are usually:

- Preliminary architectural feasibility study
- Financial feasibility study
- Environmental analysis
- Land and rights costs
- Legal costs

In some cases the applicant has sufficient reserves. In other cases short-term financing or grants from other sources are obtained. It is important in early discussions with perspective applicants to discuss the requirement and sources of payment of predevelopment costs.

The overriding consideration should be that Rural Development funding for Critical Access Hospitals will result in financially and technically feasible projects that have substantial community support and are within the means of a community to successfully own and operate the facility.

Attachments

# CAH FINANCIAL INDICATORS

Attachment 1

Performance Dimension and Indicator	Significance and Definition	Median
<b>Profitability Indicators</b>	Measure the organization's ability to make a profit	
Total margin	Net income/Total revenues	2.33
Cash flow margin	((Net income - (contributions, investments and appropriations)) + depreciation + interest) / (Net patient revenue + other income - (contributions, investments and appropriations))	3.12
Return on equity	Net income / Fund balance	5.72
<b>Liquidity Indicators</b>	Measure the organization's capacity to pay its debts in a timely manner	
Current ratio	Current assets / Current liabilities	1.9
Days cash on hand	(Cash + marketable securities + unrestricted investments) / [(Total expenses-depreciation)/Days in period]	41.74
Net days revenue in accounts receivable	(Net patient accounts receivable) / (Net Patient service revenue / Days in period)	59.31
<b>Capital Structure Indicators</b>	Measure the extent to which an organization uses debt and equity financing	
Equity financing	Fund balance / Total assets	62.99
Debt service coverage	(Net Income + depreciation + interest) / (Current portion of long-term debt + interest expense)	2.77
Long-term debt to capitalization	Long-term debt / (Long-term debt + fund balance)	20.65
<b>Revenue Indicators</b>	Measure the amount and mix of different sources of revenue	
Outpatient revenues to total revenues	Total outpatient revenue / Total patient revenue	0.57
Patient deductions	(Contractual allowances + discounts) / Gross total patient revenue	23.40
Medicare inpatient payer mix	Medicare inpatient days / (Total inpatient days - Nursery bed days - Skilled Nursing Facility (SNF) swing bed days)	78.86
Medicare outpatient payer mix	Outpatient Medicare charges / Total outpatient charges	37.38
Medicare outpatient cost to charge	Outpatient Medicare costs / Outpatient Medicare charges	60.35
Medicare revenue per day	Medicare revenue / (Medicare days - Nursing Facility (NF) swing bed days)	1283.98
<b>Cost Indicators</b>	Measure the amount and mix of different types of costs	
Salaries to total expenses	Salary expense / Total expenses	45.65
Average age of plant	Accumulated depreciation / Annual depreciation expense	12.32
Full Time Employees (FTEs) per adjusted occupied bed	(Number of FTEs / (((Inpatient days - NF swing days - nursery days) (total patient revenues / (Total inpatient revenue - NF revenue - other Long Term Care (LTC) revenue ))) / Days in period]	6.17
<b>Utilization Indicators</b>	Measure the extent to which fixed assets (beds) are fully occupied	
Average daily census swing-SNF beds	Inpatient swing bed SNF days / Days in period	1.51
Average daily census acute beds	Inpatient acute care bed days / Days in period	2.87

## Which indicators are most useful? Which indicators are least useful?

Performance Dimension and Indicator	Most Useful (%)	Least Useful (%)
<b>Profitability Indicators</b>		
Total margin	95	7
Cash flow margin	94	4
Return on equity	75	12
<b>Liquidity Indicators</b>		
Current ratio	81	5
Days cash on hand	89	5
Net days revenue in accounts receivable	99	5
<b>Capital structure Indicators</b>		
Equity financing	67	16
Debt service coverage	71	16
Long-term debt to capitalization	69	14
<b>Revenue Indicators</b>		
Outpatient revenues to total revenues	80	3
Patient deductions	78	8
Medicare inpatient payer mix	89	8
Medicare outpatient payer mix	83	9
Medicare outpatient cost to charge	79	7
Medicare revenue per day	77	11
<b>Cost Indicators</b>		
Salaries to total expenses	89	8
Average age of plant	73	20
FTEs per adjusted occupied bed	96	10
<b>Utilization Indicators</b>		
Average daily census - swing/SNF beds	73	12
Average daily census - acute beds	71	8

**Guidelines for Preparation of Financial Feasibility Studies**  
**Healthcare Type Facilities**

**Section I** – Signed and Dated Opinion Letter

**Section II** – Historic and Forecasted Financial Statements and Schedule of Ratios

- Historical and Forecasted Statements of Activities and Changes in Net Assets
  - Historical and Forecasted Statements of Financial Position
  - Historical and Forecasted Statements of Cash Flows
  - Schedule of Historic and Forecasted Ratios
    - See Attachments 1 & 2 for a listing of ratios that may be included and how to calculate ratios. The ratio analysis is included as Table 3 to the feasibility studies.
    - Calculate each ratio for 5 historical years and each year of the feasibility study.
    - For each ratio, show the median value (if available) for the overall hospital performance in the State (for the most recent year available).
- NOTE: Hospital management should be aware that all ratios indicating subpar performance by the hospital will require a satisfactory explanation during the application review process. Therefore, hospital management should include explanations for all ratios that are significantly lower than the Statewide medians (e.g., all ratios below the quartile value for the worst 25% of hospitals in the State).**

**Section III** – Summary of Significant Financial Forecast Assumptions and Accounting Policies

**Basis for Assumptions**

- Provide an overview of what is included in the financial forecast

**General Description of the Hospital and the Surrounding Health Care Market**

- Description of organization structure (e.g., non-profit/501(c)(3)). Overview of the services offered in the hospital (including inpatient, outpatient and long-term care services).
- List and description of all affiliated organizations (including all subsidiaries, parent organizations/holding companies, and joint ventures) and describe basis for affiliation. Include an organization chart clearly showing the linkages with all subsidiary/parent/related organizations.



- **Attachment 3**

- Description of governance structure.
- Listing of key management personnel (including at a minimum: Chief Executive Officer (CEO), Chief Operating Officer (COO) (if applicable), Chief Financial Officer (CFO), Medical Director, Nursing Director).

### **Project Description**

- Provide objectives to be accomplished as a result of the project.
- Provide a breakdown of construction expenses.
- Summarize changes to structural components of service areas as a result of the project.
- Provide timeframes for completing the project, including forecasted start and completion dates.
- Provide Certificate of Need (CON) information, where applicable (date the CON was approved by the State or status of CON application if approval has not yet been obtained).

### **Financing Plan**

- Sources and Uses of Funds for the project. Sources should clearly show Community Facility (CF) loan amount and other sources of funds.
- Date of initial closing and date that permanent financing begins to amortize.
- Time period (start and stop date) during which capitalized interest will be required.
- Interest rate for capitalized interest and interest rate on the CF loan.

### **Summary of Significant Accounting Policies**

- Explain which organization(s) financial performance and accounts are included in the financial forecast.
- List those affiliates/subsidiaries/parent/holding company/related organizations whose financial performance and accounts do not appear in the financial forecast.
- Summarize significant accounting policies.

### **Net Patient Service Revenue**

- Provide overview of the various payor systems under which the hospital receives patient revenues. Address each payor system that provides more than 5% of hospital revenues.

## **Attachment 3**

### **Historical and Forecasted Payor Mix – Revenues from Inpatient Services**

- Provide net revenues by payor for last 5 historical years and all forecasted years.
- Separately identify all payers that provided more than 5% of the hospital's inpatient revenues.
- Provide revenue by payor mix for each new or expanded service.
- Explain reasons for changes in payor mix.

### **Historical and Forecasted Payor Mix – Revenues from Outpatient Services**

- Provide net revenues by payor for last 5 historical years and all forecasted years.
- Separately identify all payers that provided more than 5% of the hospital's outpatient revenues.
- Provide revenue by payor mix for each new or expanded service.
- Explain reasons for changes in payor mix.

### **Historical and Forecasted Reimbursement Methodologies – Inpatient Services**

- Provide description for each payor that provided more than 5% of the hospital's inpatient revenues. Background and information on the history and forecast for each payor should be detailed enough to understand changes in payor revenues after accounting for any changes in utilization. Information showing case mix intensity is required for all payers using case payment methodologies. Each managed care contract should be explained in sufficient detail to understand method by which payments are received and how revenues from each managed care contract were estimated and differences from historical contracts.
- All revenues received from special payment pools (developed pursuant to a hospital "tax" for charity care, etc.; or funded via legislation through appropriations; or by any other method) must be isolated and clearly described.
- Medical education payments, by payor type, must be isolated and clearly described.

### **Project Initiatives**

- For each revenue-generating service area that is being materially realigned, expanded or reduced, and for all new services, identify and quantify increases or decreases to revenues and expenses and provide corresponding assumptions (and basis for assumptions).

- **Attachment 3**

- Identify all expense-center activities (not identified above) that will be consolidated or made more efficient and quantify corresponding savings to be achieved and provide corresponding assumptions (and basis for assumptions).

**Other Operating Revenue**

Each source of operating revenue should be separately identified.

- Revenues received from affiliates should be separately identified.

**Non-operating Revenue**

- Each source of non-operating revenue should be separately identified.

**Operating Expenses**

- **Salaries and Wages**
  - Clearly identify number of Full-Time Employees (FTE's) for each year (excluding contracted services). Show interns and residents and salaried physicians separate from the rest of the hospital staff. If the hospital operates nursing home beds or other long-term care services, these FTE's should also be shown separate from staff for acute care services.
  - Explain all major initiatives (and the corresponding impact for each initiative) for any staffing reductions.
  - Calculate FTE's per adjusted occupied bed and compare to industry and area norms.
- **Fringe Benefits**
  - Explain historical performance and forecast assumptions.
- **Contractor Services**
  - List all services that are contracted and the annual amounts paid for each contracted service and the estimated FTE's used by the contractor in providing the service.
- **Supplies and Other Expenses**
  - All other expenses should be itemized.
  - Operating leases should be separately identified.
- **Insurance Expense**
  - Itemize all insurance expenses.

▪ **Attachment 3**

- Assess the adequacy of the hospital's insurance coverage (and insurance reserves).
- **Interest Expense**
  - Segregate interest expenses on the CF loan and other interest expenses related to other debts, leases, etc.
- **Depreciation and Amortization Expense**
  - Show depreciation guidelines used by the hospital.
- **Provision for Doubtful Accounts/Bad Debt Expense**
  - Explain historical performance and forecast assumptions.

**Balance Sheet Assumptions**

- Explain historical performance and forecast assumptions for each of the following:
  - Accounts Receivable
  - Other Receivables
  - Inventories
  - Prepaid Expenses
  - Other Assets (break out all assets greater than \$100,000)
  - Due from Third Party Payors (break down by payor)
  - Pension Fund
  - Malpractice Insurance Fund, if self-insured (also, assess the adequacy of the hospital's insurance reserves)
  - Assets Limited as to Use
  - Accounts Payable and Accrued Liabilities
  - Accrued Payroll and Vacation Benefits
  - Due to Third Party Payors (break down by payor)
  - Estimated Malpractice Payable, if self-insured

**Capital Expenditures**

- Summarize capital expenditures in recent years (break out by capital equipment, renovation, maintenance, new construction, and capital leases).
- Explain how capital expenditure projections were derived (i.e., how does the hospital develop its capital needs program). Break out by capital equipment, renovation, maintenance and new construction.

**Sensitivity Analyses**

- 10 percent reduction in inpatient discharges (from the forecasted volume).
- Medicare update factor reduced (by 1 percent increments) to 0 percent. A separate analysis for the entire forecast period should be shown for each 1 percent decrease.
- All proposed changes to the reimbursement system for any payor class. Any legislation that has been passed but not yet put in place should be analyzed.
- Other sensitivity analyses, as required based on analysis.

**Section IV – Summary of Significant Demand Forecast Assumptions**

**General Methodology**

A brief statement describing how patient utilization was forecasted; discussing factors such as historical utilization patterns, length of stay, patient origin, population trends, hospital use rates, market share, capital facilities plans for the Hospital and other area health care providers, and current trends and activities of health care providers and insurers which may affect the Hospital.

**Historic & Forecast of Inpatient and Outpatient Utilization**

A general statement identifying the major factors that are affecting overall patient utilization. This statement will also include the major initiatives that the Hospital is taking that will affect the assumptions for the forecast.

**Inpatient Utilization**

A list and discussion of the factors affecting inpatient activity including such factors as population growth, use rates, market share and average length of stay.

**Outpatient Utilization**

A list and discussion of the factors affecting outpatient activity including such areas as the Emergency Room, Ambulatory Surgery, Clinic Visits, Renal Dialysis, Laboratory, Radiology, etc.

### **Service Area Definition and Patient Origin**

A description of the primary and secondary service areas; how they are determined, their location, and identification according to zip codes and a map. Service areas should be separately identified for general acute care inpatient services and outpatient/ambulatory services. Additionally, if the hospital has any other specialty service (e.g., long-term care, rehabilitation care), then that service area should be separately identified if it is different than the service area for the overall inpatient general acute care services. This information may be obtained from the State Hospital Association.

### **Population of the Service Areas**

This includes an historical (most recent census data and current year estimate) summary as well as a forecast summary of the primary and secondary service area populations by zip code. Population data should also be broken out by age group (0-17, 18-44, 45-64, 65 and over) and for females 15-44. This information can be obtained from governmental entities such as the National Planning Data Corporation.

### **Socioeconomic Characteristics of the Service Areas**

This section will give a description of the economic health and stability of the Hospital's service area. Generally as an indication the major service categories are listed according to employers and employees in areas such as:

- Services
- Manufacturing/Mining
- Wholesale and Retail Trade
- Government
- Transportation, Public Utilities, Finance, Insurance and Real Estate
- Construction

A profile chart of the largest 10 to 20 employers should be provided. This information may be obtained from the State or Regional Industrial Management Council.

A narrative and chart displaying the historical and current unemployment information for the County, Major Statistical Area, State, and United States. This information is usually obtained from the U.S. Bureau of Labor Statistics.

### **Attachment 3**

A narrative and chart displaying Median Household Income for the service areas and, for comparison, by surrounding Counties, the State, and the United States. This may be obtained from the National Planning Data Corporation.

Description of the impact of the proposed project on the local economy (i.e., permanent and construction jobs created, economic and social spin-off).

#### **Market Assessment of Other Health Care Providers within the Service Area**

List of other area hospitals, their proximity to the Hospital, and their percent of market share in the Hospital's service area if greater than 1 percent. This information should be broken out in the same manner as the service area section (i.e. separately identify outpatient/ambulatory and other specialty services if service area are different than general acute inpatient). Obtainable from several sources including the State Hospital Association.

A description of the services provided by each of the competitor facilities, and the nature and extent of recent initiatives and future plans for each of these competitor hospitals.

#### **Market Share by Service**

A narrative and charts showing historical trends (last 5 years) for total hospital discharges and a breakdown for all major services showing the market share of the Hospital and its competitors in the primary and secondary service areas. Obtainable from several sources including the State Hospital Association.

A narrative and charts of competitive hospital utilization statistics with comparisons to the hospital in inpatient areas such as Discharges, Average Length of Stay, Percent Occupancy, Patient Days, Average Daily Census, Available Beds. Similarly, provide outpatient activity for visits and procedures in areas such as Emergency Room Visits, Ambulatory Surgery, Clinic Visits, Renal Dialysis, Laboratory Procedures, Radiology, etc. This information may be available from Blue Cross and State Supplement to the Institutional Cost Report.

**Inpatient Use Rates**

A narrative and charts depicting use rate for the primary and secondary service areas. Use rate measures total hospital discharges from the service area population and is expressed in discharges per 1,000 population. The historical and projected use rates should be provided for each major service (e.g., medical/surgical, obstetrics, etc.) broken down by primary and secondary service area and by fee for service patients, managed care patients and total patients. Historical (last 5 years) comparative use rates should be displayed through charts for the defined service area, City or County if appropriate, the State and the United States.

**Hospital's Historical Utilization**

Primarily a series of charts depicting inpatient historical (last 5 years) and forecasted utilization statistics by total and major service areas as well as by outpatient visits and procedures.

**Hospital's Medical Staff**

A narrative and charts that analyze the medical staff including their admissions patterns, age and specialty characteristics as well as support for the Hospital and the project. Provide a chart of the top admitters (ranked from highest to lowest total annual admissions in the most recent fiscal year and equaling at least 60 percent of total hospital admissions) showing physician specialty, age and number of admissions. Provide narrative and a summary chart of historical recruitment and turnover of physicians.

**Physician Questionnaire Results**

Description of and results of a survey of physicians' attitudes and perspectives regarding the Hospital and the proposed project.

**Business Organization and Corporate Relationships**

Describe how the Hospital is affiliated (e.g., a subsidiary, parent, affiliate, joint venture, etc.) with any other organization, indicating name, address, type of legal relationship, and nature of affiliation. Describe the Hospital's collaboration with other entities to integrate healthcare delivery as well as its



### **Attachment 3**

relationship with existing and developing managed care organizations in its service areas.

**Section V – Other Information that Feasibility Consultant Deems Appropriate.**

**Section VI – Evaluation of Management Team (To be prepared by feasibility consultant although not required to be included in financial feasibility study).**

**Appendix**

November 3, 2005

SUBJECT: Business and Industry Guaranteed Loan Program  
State Loan Committee Procedures

TO: State Directors, Rural Development

ATTN: Business Programs Directors

RD Instruction 4279-B, section 4279.165(c), requires each State Office to develop and maintain written procedures that identify elements of the State loan committee process. The purpose of this unnumbered letter is to provide you with a template and two examples of State loan committee procedures that were developed by States participating on a State loan committee procedure taskforce. Attachment 1 is a blank template. Attachment 2 is a copy of Ohio's State loan committee procedures, and Attachment 3 is a copy of North Dakota's State loan committee procedures. These examples are based upon procedures written to satisfy Business Programs Assessment Review recommendations. Use of the examples and template are not mandatory but are provided at the request of some State Offices to assist them in complying with the requirement that each State Office develop and maintain written procedures for their State loan committees.

If you have any questions, please contact Brenda Griffin, Business and Industry Division, at (202) 720-6802.

*(Signed by Carolyn C. Parker)*

WILLIAM F. HAGY III  
Deputy Administrator  
Business Programs

Attachments

EXPIRATION DATE:  
November 30, 2006

FILING INSTRUCTIONS:  
Community/Business Programs

Attachment 1  
Template

SUBJECT: STATE LOAN COMMITTEE POLICIES FOR THE  
BUSINESS AND INDUSTRY GUARANTEED AND DIRECT LOAN  
ROGRAMS

Timing:

Location:

Committee members:

Loan presentation:

Review package contents:

Agenda:

Changes Which Require State Loan Committee Concurrence:

Servicing requests and the State Loan Committee:

Minutes:

**SUBJECT: OHIO B&I CREDIT COMMITTEE POLICIES**

It is the policy of Ohio Rural Development that all B&I loan guarantee requests and loan servicing actions of a monetary-type nature will be reviewed and approved by a Credit Committee. The following will outline the policies and procedures for B&I Credit Committee meetings.

Timing: The B&I Credit Committee will be held twice monthly, typically on the first and third Thursday of every month, immediately following the State Director's Calendar Meeting. Additional meetings will be held as needed to provide timely service to our lenders. If no B&I loan making or serving requests need to be reviewed by the committee, a cancellation notice for the subject meeting will be sent by email to the participants as early as possible.

While it is our goal to know what, if any, loans will be ready for review at an upcoming Credit Committee well in advance of the date; final complete applications often arrive as late as a few days before the committee is scheduled to meet. Presenting Loan Specialists are encouraged to complete their review package and deliver it (typically by e-mail to the Area Directors and by hard copy to State Office participants) to members no later than Noon, 2 days before the scheduled meeting. However, committee members must be aware there may be times when circumstances require "last minute" deliveries of information.

Occasionally the B&I staff may provide brief preliminary information on a preapplication to the committee seeking input and direction towards consideration of the complete application at a later date.

Location: Committee meetings will typically be held in the State Office conference room.

Committee members: Committee members will include the State Director, Business and Cooperative Programs Director, B&I Program Loan Specialists and Technician, Community Programs Director, Public Affairs Director, and the Area Director who oversees the location of the business being considered. Only those present at the meeting or participating in the teleconference will be expected to vote to approve or disapprove of the proposed loan or servicing action and sign the signature page. All Area Directors will receive an emailed copy of the Project Summary on all B&I loan making requests for informational purposes, even though they may not be participating in the committee meeting.

## Attachment 2

### Example 1

Loan presentation: Each loan being reviewed will be presented by the employee who processed the application and completed the credit analysis. The presenter will make a recommendation for approval or disapproval.

Review package contents: The items a committee member will receive for review of a loan making request prior to the meeting will typically include:

1. Loan summary memo
2. Project Summary, Part C
3. B&I Application Parts A & B
4. Lender credit analysis
5. Moody's spread sheet only if not already included in the lenders credit analysis
6. Personal or corporate financial statements of guarantors.

It is each committee member's responsibility to have reviewed the above information prior to the meeting.

Agenda: To keep both the presentation and discussion "on track", we have found the following format to work well:

- |  |            |
|--|------------|
| 1. Presentation/summary/recommendation of loan by specialist | 20 minutes |
| 2. Questions by committee members                            | 10 minutes |
| 3. Final discussion and decision                             | 5 minutes  |

We recognize that some loans may take somewhat more or less time; however, the above timeframes are there to keep the review and discussion on track and will generally be adhered to. The committee will be expected to agree on a consensus decision. A mere majority voting for or against a loan will not be sufficient. The State Director has the final decision making authority, if necessary, to resolve any lack of consensus.

Questions and suggestions that cannot be finalized in the meeting may be addressed later with an email to the entire committee, if further action by the committee is not mandated.

The Business and Cooperative Programs Director will act as facilitator and moderator to assist in keeping the meeting on schedule.

Changes Which Require Credit Committee Concurrence: Any significant changes in the loan terms, guarantee terms, collateral, or the borrower will require re-consideration of the loan by the Credit Committee. This may be accomplished by teleconference. It is the Program and State Director's responsibility to determine what constitutes a "significant" change. Changes that would require Credit Committee concurrence include (but are not limited to):

1. Increase in loan amount;
2. Increase in guarantee %;
3. Reduction in collateral;
4. Change in personal or corporate guarantees
5. Significant increase in interest rate;
6. Significant change in borrower structure.

Servicing requests and the Credit Committee: Routine and minor servicing requests from lenders, such as covenant waivers and minor collateral changes, will not be required to be presented to the Credit Committee. Only servicing actions of a monetary-type nature will be required to be taken before the committee. A summary of the request along with supporting documentation will be provided to the committee.

Minutes: A signature page will be signed by all attending committee members indicating their vote to approve or disapprove the proposed action. Votes of those attending by teleconference will be noted on the page. Notes will be taken for each loan reviewed and minutes prepared in bulleted format by a Loan Technician and approved by the presenting Loan Specialist and Program Director. These notes will be typed and attached to the signature page and distributed at a later date to all committee members. This signature page, along with a copy of the entire package submitted to the committee will become the official record of the B&I Credit Committee action, with one copy filed in the Operational File and another copy maintained in the subject case file.

JAMES T. COGAN

Business & Cooperative Programs Director

August 15, 2005

Loan Proposal  
Business and Industrial (B&I) Loan Guarantee  
Analysis and Documentation  
State Director’s Loan Review Committee  
Date

Signature of Committee Members	Approve or Disapprove	Title

Conditions:

Application for Committee, Applicant’s name  
Date

### **North Dakota State Loan Committee Standard Operating Procedures**

It is the policy of USDA Rural Development in North Dakota for all Business and Industry (B&I) guaranteed loan pre-applications or applications, changes in conditions and servicing actions of monetary-type nature to be reviewed and recommended by a majority of members composing a State loan committee. The following will outline the policies and procedures for North Dakota State loan committee meetings.

In accordance with RD Instruction 4279-B, section 4279.165(c), the State Loan Committee will review all (B&I) guaranteed loan pre-applications or applications, changes in conditions and servicing actions of monetary-type nature and will advise and make recommendations to the State Director who has sole responsibility for all decisions within the approval authority designated by the Administrator. Approval authority can be re-delegated as determined by the State Director. Recommendations concerning cases requiring National Office approval will also be reviewed by the State loan committee.

**State Loan Committee Composition:** The State loan committee will be composed of at least 3 persons including the State Director and / or the Program Director or Acting Program Director and at least one other individual as decided by the State Director and Program Director (program specialist or other employee(s)) and the loan specialist responsible for the case. The Business and Community Program Director will act as facilitator and moderator to assist in keeping the meeting on schedule.

**Documents:** The loan specialist responsible for each case will complete his/her review of the proposal and make arrangements for the State loan committee review. The State loan committee members will be provided with the proposal at least 2 working days in advance of the State loan committee meeting. Documentation provided to the State loan committee members shall include, as a minimum, the information contained in the "State Loan Committee review". Additional documentation may be necessary on a case-by-case basis.

**State Loan Committee Responsibility:** It is each State loan committee member's responsibility to review the information prior to the start of the meeting. Significant issues, and questions or comments by State loan committee members will be reviewed with the loan specialist responsible for the specific case prior to the State loan committee



## Attachment 3

### Example 2

meeting if possible, and as applicable with other members of the committee as far in advance of the State loan committee meeting as practical, and responses will be addressed at the State loan committee meeting.

**Timing of the State Loan Committee Meeting:** The timing of the State loan committee meeting will be held as prearranged by the loan specialist responsible for the case. The State loan committee will meet as soon as practical following the receipt of a preapplication, application, request for changes in conditions or request for servicing actions of monetary-type nature for a guaranteed B&I loan.

**Location:** State loan committee meetings will typically be held in the State Office conference room.

**Minutes:** The minutes will be signed by all attending State loan committee members. Recommendations will be made by the State loan committee members on a consensus basis. This policy and the entire package submitted to the State loan committee will become the official record of the State loan committee action. Questions and suggestions that cannot be finalized during the meeting may be addressed later, with an email to the entire State loan committee that participated in the meeting on the specific case. All of the minutes will be filed in the respective case file and in the State loan committee operational file.

## State Loan Committee Review

**Borrower:**

**Guaranteed Loan:** \$

**Lender:**

**Narrative and Eligibility:** The proposed guaranteed Business and Industry (B&I) guaranteed loan is for (machinery, equipment, construction of, permanent working capital) as part of a (Project) to be constructed approximately (location) of (city) ND. (Change as needed - The plant will comply with all environmental laws and will have management as outlined in the business plan and feasibility study). The applicant will have at least (X) % tangible balance sheet equity at the time of loan note guarantee issuance. The loan note guarantee is expected to be issued (at completion of the project). The lender is experienced in (area of experience as it pertains to the type of loan) and has the capacity to adequately service the loan. The feasibility study (describe conditions or outline) and indicates that the project is feasible. The loan total for (the facility) will be \$(X). (Describe any other conditions relevant to the proposal and the guaranteed B&I loan).

**Borrower:** The borrower meets the eligible borrower criteria specified in RD Instruction 4279-B section 4219.108 (a): it will (create (X) jobs and / or save (X) jobs and (reduce reliance on nonrenewable energy resources by encouraging thru the production of ethanol, etc). (b): (borrower) is owned by at least 51% U.S. citizens and is located in (city) ND. The 2000 population was (X) based on U.S. census data.

**Lender:** The lender has the experience and strength to service the loan. The lender has the capacity to adequately service the loan.

**Loan purposes:** The loan purposes are for (purchase of machinery and equipment, construction of, permanent working capital, etc.) These are eligible purposes in accordance with RD Instruction 4279-B section 4279.113. None of the project purposes fall under ineligible purposes of RD Instruction 4279-B section 4279.114. (Describe any portion that could be ineligible). The sources and uses are as proposed in the following chart:

Attachment 3  
Example 2

**Proposed Sources and Uses**

FUND USES	BORROWER CONTRIBUTION	OTHER EQUITY / GRANT	USDA B&I	OTHER LOAN	TOTAL
Working Capital / Inv.	\$ -		\$ -	\$ -	\$ -
Machinery / Equipment	\$ -		\$ -	\$ -	\$ -
Real Estate / Development	\$ -		\$ -	\$ -	\$ -
Fees	\$ -			\$ -	\$ -
TOTAL	\$ -		\$ -	\$ -	\$ -

**Interest Rate:** The proposed interest rate will be (ex. (prime + .5)) %. The floor rate is (X.XX) %. Currently prime is (XX) % therefore the borrower will be at the floor rate. This is not more than those rates customarily charged borrowers in similar circumstances in the ordinary course of business. The variable rate is tied to a base rate and will be adjusted quarterly (or not more often than quarterly).

**Loan Terms:** The loan repayment terms are (X (example - seven years)) with fully amortized monthly payments. (Describe any conditions on principal deferral if applicable) This is in conformance for the type(s) of loans described in RD Instruction 4279-B section 4279.126.

**Loan Guarantee:** The total request for guarantee is \$ (X). The lender is asking for a (X) % guarantee. This falls within the criteria specified in RD Instruction 4279-B section 4279.119 (a) and (b).

**Historical & Projected Income Statements**

(In \$1,000's)	12/31/97	12/31/98	12/31/99	6/30/00	00Extrapol	RMA	Year 1	Year 2
Gross Revenue	-	-	-	-	-		-	-
CGS	-	-	-	-	-		-	-
Gross Profit	- #DIV/0!	- #DIV/0!	- #DIV/0!	-	- #DIV/0!		- #DIV/0!	- #DIV/0!
Op'g & Other Exp	-	-	-	-	-		-	-
Net Profit	- #DIV/0!	- #DIV/0!	- #DIV/0!	-	- #DIV/0!	90.0%	- #DIV/0!	- #DIV/0!
<b>Add Back</b>								
+Rent	-	-	-	-	-		-	-
+Depreciation	-	-	-	-	-		-	-
+Interest	-	-	-	-	-		-	-
Funds Available	- #DIV/0!	- #DIV/0!	- #DIV/0!	-	- #DIV/0!		- #DIV/0!	- #DIV/0!
<i>Debt Service Ability (comparing historical/projected Funds Available with projected Debt Service)</i>								
New B&I Loan	-	-	-	-	-		-	-
Continuing Debt	-	-	-	-	-		-	-
Debt Service	-	-	-	-	-		-	-
Margin	-	-	-	-	-		-	-
Coverage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!

**Collateral proposed:** RD Instruction 4279-B section 4279.131 (b) – 1st lien positions on (ex. real estate, machinery and equipment, receivables, assignment of life insurance, etc.). (Describe any other liens on the collateral.)

\$ -

Description	Source	Value	Discount	Prior Liens *	Collateral Value
	FMV		0%	-	-
	FMV		%	-	#VALUE!
	Cost	-	0%	-	-
	Book	-	0%	-	-
	Book	-	0%	-	-
<b>Total =</b>		-		-	#VALUE!

**Total Loan-to-Value =** #DIV/0!

**Coverage =** #VALUE!

**Proposed Equity Requirements** – RD Instruction 4279-B section 4279.131 (d). (X) % tangible balance sheet equity at closing will be required. The borrower currently has \$ (X) in raised equity capital as part of its equity drive.

**Tangible Balance Sheet Equity calculation**

(in \$1,000's)	Current 6/30/00		less Intangibles	plus Additions	less Subtractions	Tangible Pro Forma	
Current Assets	-	#DIV/0!	-	-	-	-	#DIV/0!
Fixed Assets	-	#DIV/0!	-	-	-	-	#DIV/0!
Other Assets	-	#DIV/0!	-	-	-	-	#DIV/0!
<b>Total Asset</b>	-	#DIV/0!				-	#DIV/0!
Current Liabilities	-	#DIV/0!		-	-	-	#DIV/0!
Term Liabilities	-	#DIV/0!		-	-	-	#DIV/0!
<b>Total Liabilities</b>	-	#DIV/0!				-	#DIV/0!
<b>Equity</b>	-	#DIV/0!				-	#DIV/0!

**Historical Balance**

(in \$1,000's)	12/31/97		12/31/98		12/31/99		Current 6/30/00		RMA
Current Assets	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	?
Fixed Assets	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	?
Other Assets	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	
Total Asset	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	
Current Liabilities	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	?
Term Liabilities	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	
Total Liabilities	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	?
Equity	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	?

**Personal and Corporate Guarantees:** RD Instruction 4279-B section 4279.149 – (Personal guarantees will be provided by (.....). or (There will be no personal guarantees). (Borrower) will provide a corporate guarantee for the loan.

**Environmental:** The environmental review will be completed prior to B&I loan approval. A (categorical exclusion or class I or II assessment) has been prepared. All needed permits must be obtained and the lender is required to monitor that all permits have been obtained.

**Priority Score:** In accordance with RD 4279-B, Appendix C and RD Instruction 4279-B section 4279.155 is (XX).

Attachment 3  
Example 2

**Feasibility Study Requirements:** RD Instruction 4279-B section 4279.150 – An independent feasibility study was completed by (.....) The feasibility study contains all of the elements required. (Describe any conditions or deviation from normal requirements). The conditions provided are being incorporated in the proposed conditional commitment for the loan.

The project, borrower, lender, and loan terms meet all eligibility criteria for the Business and Industry Guaranteed loan program.

**Strengths:**

- 1.
- 2.
- 3.

**Weaknesses:**

- 1.
- 2.
- 3.

**Recommendations or Conditions:**

- 1.
- 2.
- 3.
- 4.

**North Dakota State Loan Committee**

**Borrower:**

**Date of State Loan Committee Meeting:**

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CLARE A CARLSON  
State Director

---

date

---

DALE VAN ECKHOUT  
Business and Community Program Director

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date

---

ROD BECK  
Civil Engineer

---

date

---

DELAYNE BROWN  
Business and Community Program Specialist

---

date

November 4, 2005

TO: All State Directors  
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: David J. Villano (Signed by David J. Villano)  
Deputy Administrator  
Single Family Housing

SUBJECT: Fiscal Year 2006 Anticipated Fund Use Survey

Funding requests for the Rural Home Loan Partnership/Community Development Financial Institutions Initiatives Program are needed to determine allocations for

FY 2006. As in prior years, ten percent of all Section 502 Direct loan funds will be set aside for funding of RHLP/CDFI partner loans. States will be reimbursed 75 percent of all partner loans from this allocation.

In order for a loan to qualify as an RHLP loan, the loan must have the participation of a leverage loan from a private lender, a state or local government lender, or a nonprofit organization that provides subsidized loans or grants and must involve a local community development corporation. The participation of all three entities: 1) Rural Development; 2) private, state or local government lender; and 3) community development corporation defines an RHLP loan. A CDFI loan must have leveraged loan participation from a CDFI. The leveraged loan must comprise at least 20 percent of the financial package or at least 15 percent if the leveraging is in the form of a grant.

Please list on the attached survey, existing and potential partners, along with the projected number and amount of partner loans for this fiscal year. Projections should be realistic as less funding is anticipated this year. If your State did not use all of its RHLP/CDFI allocation last year, describe your plans for full utilization of funds this year.

Expiration Date:  
November 30, 2006

Filing Instructions:  
Housing Programs



During the course of the year when entering leverage lender information into UniFi, states are reminded that it is important to ensure that the leverage lender information is complete and accurate. Entry of complete and accurate leveraged lender information at initial input will eliminate the need to go back and correct this information during the fiscal year end RHLP data collection. In addition, it is important to have complete and correct leveraged lender information to facilitate loan servicing at a later date.

States are encouraged to use the Homeownership Partnership to expand lending to minority homebuyers consistent with the goals of USDA's "Five Star Commitment to Expand Rural Minority Homeownership." Partner lenders should make an effort to increase loans to minority families, especially in States where the State average or goal has not been achieved.

Efforts should be made to develop new partners in areas where minorities are currently underserved. A listing of community development corporations is available on the Internet at <http://www.ruralamerica.org> under the "Resources" section and a listing of CDFI awardees is available at <http://www.cdfifund.gov/loan.asp>.

Please note that survey results for a state for FY2005 RHLP/CDFI lending activity must be completed in order to receive allocations for FY 2006.

The survey is attached in the form of an Excel spreadsheet. Please complete and e-mail the completed survey to both Janet L. Carter at [Janet.Carter@wdc.usda.gov](mailto:Janet.Carter@wdc.usda.gov) and Lou Paulson at [Lou.Paulson@wdc.usda.gov](mailto:Lou.Paulson@wdc.usda.gov).  
by November 18, 2005.

If you have any questions regarding this memorandum and/or the survey due date, please contact Janet L. Carter of the Single Family Housing Direct Loan Division, at (202) 720-1489.

Attachment



## Partnership Needs Survey

ST  Name:  Email:

- 1 This request is for a new RHLP or CDFI:  (Type in RHLP or CDFI or use drop down)  
This is a NEW or EXISTING partner:  (Type in NEW or EXISTING or use drop down)

2 Provide Information about the CDC Partner:

Tax ID#	Name	St Address or PO	City	ST	Zip Code	Phone	Fax	Contact Name
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3 Provide Information about the Participating Lender

Tax ID#	Name	St Address or PO	City	ST	Zip Code	Phone	Fax	Contact Name
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

- 4 Provide Information about additional Participating Lender (if applicable)  
If more than 2 participating lenders are involved please note in question 10.

Tax ID#	Name	St Address or PO	City	ST	Zip Code	Phone	Fax	Contact Name
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

5 Proposed # of houses and average cost per house. (This is to estimate partnership need)

# of houses	Cost per house	Partnership Need
<input type="text"/>	<input type="text"/>	\$ <input type="text"/> -

6 Amount and Source of any Grant Funds Available:

Average amount of **grant** funds available per house for this partner:

Source of grant funds (if more than one add details in question 10)

Name

7 Average Lender participation PER HOME expected for this partner: (Even with multiple lenders, please give one average amount.)

8 Funding needs expected:

NO Partnership Funds Requested:

State funds to be Set Aside:

RD Participation Total:

<input type="text"/>
<input type="text"/>
<input type="text"/>

(These are our estimates based on the

75%	\$	-	information
25%	\$	-	you provided
100%	\$	-	above.)

- 9 If this is an existing partnership and funding projected for this partner during FY 2005 was not fully used, please explain how funding projections will be assured during FY 2006.

10 Additional details, if needed:

Thank you for participating in this survey. If you have questions about it please call Lou Paulson at 202-720-1478

November 4, 2005

SUBJECT: Acting State Director in Michigan

TO: National Office Officials  
Rural Development State Directors

ATTN: Administrative Program Directors

This is to inform you that on October 31, 2005, Dale Sherwin retired as the State Director for Michigan. Therefore, I have appointed Jason Church to act as State Director until further notice.

Mr. Church is currently serving as the Administrative Program Director for Michigan.

I know I can count on your support and assistance while he is serving as Acting State Director and responsible for carrying out the mission of Rural Development in Michigan. Mr. Jason Church can be reached on (517) 324-5217 or via e-mail at [jason.church@mi.usda.gov](mailto:jason.church@mi.usda.gov).

*(Signed by THOMAS C. DORR)*

Under Secretary  
for Rural Development

EXPIRATION DATE:  
November 30, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on **November 4, 2005** at **3:45p.m.** by Human Resources  
State Directors and National Office Officials should advise all other personnel as appropriate.

November 8, 2005

TO: State Directors  
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Russell T. Davis (Signed by *Russell T. Davis*)  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Compliance with the Improper Payments Information Act  
Section 521 – Rental Assistance Program

This memorandum is to report on corrective actions that were taken based on the Improper Payment Information Act (IPIA) audit that was done early this year. As you know, the Section 521 Rental Assistance (RA) Program has been identified as a risk assessable program under IPIA due to the size of its outlays in any one year.

Attachment A is a list of tenants from this year's audit that were identified as having either insufficient documentation to support the income reported on the tenant certification, or management agent error in calculating the tenant's income. The types of errors have been provided along with the property name, tenant name, and apartment number. As part of the Agency's follow-up, your staff will need to review the list of tenants and provide a report as to whether actions were taken to correct the errors identified. Attachment B is the survey that should be completed on-line at <http://survey.sc.egov.usda.gov/survey.aspx?surveykey=31>, so that the results may be automatically tabulated. This information must be input no later than December 9, 2005.

Please note that the following policy and procedures have been revised with the implementation of 7 CFR part 3560 to improve the Agency's oversight of borrowers and management agents, to ensure tenant incomes are verified with sufficient supporting documentation on which to make such determinations:

1. HB-2-3560, Multi-Family Housing Asset Management Handbook, Chapter 6, Section 2: "Calculating Income and Initial Certification," provides extensive guidance regarding the procedures that borrowers should follow in order to assure that proper verification and income calculations are done.

EXPIRATION DATE:  
November 30, 2005

FILING INSTRUCTIONS:  
Housing Programs

2. HB-2-3560, Multi-Family Housing Asset Management Handbook, Chapter 9, Section 9.14 provides guidance to the State Offices regarding the use of wage and benefit matching with State Departments of Labor or similar agencies.

We appreciate your cooperation in these efforts to meet the Department's obligations to be in compliance with IPIA. If you should have any questions regarding this, please contact Janet Stouder at 202-720-9728.

Attachments

MFH - Improper Payment Act Compliance  
Section 521 - Rental Assistance (RA) Program  
(List of Tenants/Problems Identified)

State	Project Name	Tenant Name	Apt. No.	Problem Originally Identified As:		
				Insufficient Documentation	Borrower/ Agent Error	Both
AL	Linden Villas	Smith, Yolanda	B-9			X
AL	Linden Villas	Hackworth, Roshanda	B-3			X
AL	Greentree Apts.	McCormich, James	17		X	
AL	Greentree Apts.	Lewis, Lorie	1		X	
AR	Poplar Grove Rural Coop Housing	Boose, Denia	O	X		
CA	Orchard Manor II	Magana, Jose J	63		X	
CA	Orchard Manor II	Bermudez, Abelino	45		X	
CA	Westwood Manor	Nunez, Jesus	213P		X	
CA	Westwood Manor	Lopez, Karla	213L		X	
CA	Woodlake Apts.	Rodriguez, Efren	20		X	
CA	River Garden Apartments	Seanor, Norma	173G			X
CA	River Garden Apartments	Humphrey, Cindy	225A			X
FL	Hernando RRH, Ltd.	Johnson, Jackqueline	52		X	
FL	Hernando RRH, Ltd.	Waldron, Frank	42		X	
FL	Orangemont Village	Cruz, Carmelo	C18			X
FL	Winter Garden Villas	Martelo, Benny	446			X
FL	Winter Garden Villas	Pistel, Sheryl	414	X		
GA	Carriage Hill Apts.	Lively, Dana	C18		X	
GA	Wildwood Apt.	Heard, Sharon	37		X	
IL	Gridley Manor Apts.	Tacke, Michael	6			X
IL	Shumway Apartments	Johnson, Francis	4A			X
IN	Old Orchard II	Knafel, Jessie	303			X
IN	Old Orchard II	Brownback, Sharon	203	X		
IN	Somerset Village	Stephens, Linda	11			X
KS	Cozy Haven Inc.	Baxley, Mary Lou	1			X
KS	Allen Villa Apt.	Martin, Patricia	6		X	
LA	Acadian Apts.	Guillory, Barbara	E-219	X		
LA	Misty Manor Estates	Castle, Brishawn	21		X	
LA	Southern Apartments	Trahan, Angel	16	X		
MD	Mulberry Hill I	Higgins, Audria	105			X
MD	Prince Frederick Villas	Jones, William	492		X	
MD	Prince Frederick Villas	Wills, Paulette	524			X
ME	Bridge Hill Apts.	Bourdeau, Kristen	11			X
ME	Bridge Hill Apts.	Marotta, Nicole	9			X
ME	Applegate Village	Whitney, Melissa	A-1			X
MN	J&J Apt.	Amatya, Pinky	1,758		X	
MN	Halter Garden Apt.	Tesch, Clifford W.	2			X
MN	Somerset South Apts.	Wolner, Jamie	37	X		
MN	Somerset South Apts.	Barrera, Elsa	7	X		
MN	Pelican Rvr Apts. 2	Keltner, Loretta	105			X
MN	Cambridge Town Sq.	Young, Marialuisa	1,240		X	
MO	Hannibal Apartments	Foster, Kenneth	4			X
MO	Hannibal Apartments	Carrero, Lucille	19	X		
MO	Edina Apartments	Kinsel, Paul	14	X		
MO	Meadowland Apts.	Gold, Garnet	211S		X	
MO	Oak Park Village	Boyer, Beverly	8			X
MO	North Towne Villa II	Mount, Stacy	8		X	
ND	Page Manor	Tuenge, Henry	B3			X
NE	Northland Waverly	Feauto, Kris	6	X		
NE	Northland Waverly	Elliott, Renee	14			X
NJ	Mullica W Limited	Patten, Phyllis A.	621			X
NM	Los Escondidos	Alderete, Helen	801G			X
NM	Gateway Apts.	Krock, Steven	45		X	
NV	Riverwood Apts. I	Seaman, Precious	G242			X
NV	Eastline Apt.	Sancez, Lorena	1565-F			X
OH	Logan Place II Apt.	Rowell, Mary	7			X
OH	Logan Place II Apt.	Ybarra, Anastacia	18		X	
OK	Turtle Creek Properties II	Fales, Lee Ann	7		X	
PA	Park Place East	Tice, Laverne	48		X	
PA	Breckenridge Village Apts.	Zeigler, Gladys	347		X	

MFH - Improper Payment Act Compliance  
Section 521 - Rental Assistance (RA) Program  
(List of Tenants/Problems Identified)

State	Project Name	Tenant Name	Apt. No.	Problem Originally Identified As:		
				Insufficient Documentation	Borrower/ Agent Error	Both
PA	Breckenridge Village Apts.	Krenzer, Teresa	434		X	
PA	Waynesboro Apts.	Tresler, Annabelle	409		X	
SC	Poplar Creek Apts.	Miller, Debra	28			X
SD	Dakota Apts.	Zimmermen, Lois	W203			X
TX	Turtle Creek Apts.	Cain, Julia	917			X
TX	Pecanwood Apts. 3	Ward, Jeanne	68			X
TX	Pecanwood Apts. 3	Walters, Deborah	80			X
TX	Hickory Lane Assoc.	Mattox, Teresa	2			X
TX	Mill Run Apts.	Stewart, Ashley	53			X
TX	Mill Run Apts.	Dawson, Cassandra	38			X
WA	Woodcreek Apts.	Hunter, Sunni	26			X
WA	Wellington Apts.	Miller, Misty	313			X
WA	Wellington Apts.	Kent, Louise	331			X
WA	Madrona Valley	Berman, Katie	10			X
WI	Country View Apts.	Strey, Steven	10		X	
WV	Regina Apts.	Maynard, Misty	27			X
WV	Fayette Hills Apts.	Zimmerman, Melissa	04E			X
WV	Fayette Hills Apts.	Willis, Gary	04C			X
WY	River Glen	Villalobos, Irma	309		X	

RHS Survey Form – Improper Payment Act Compliance – Part II  
Section 521 - Rental Assistance (RA) Program  
Web Site - <http://survey.sc.egov.usda.gov/survey.aspx?surveykey=31>

Analyst Name \_\_\_\_\_ Analyst Email \_\_\_\_\_ Analyst State \_\_\_\_\_

1. Rural Development/Project Information

A. Rural Development Office (City/Town) \_\_\_\_\_

B. Analyst Phone Number \_\_\_\_\_

C. Property Name \_\_\_\_\_

D. Head of Household Name (format – last, first)  
\_\_\_\_\_, \_\_\_\_\_

E. Apartment No. \_\_\_\_\_

2. Resolution

A. Were corrections made? Y / N  
If 2.A. is Yes, please complete the remaining questions

B. Date of Corrective Action \_\_\_\_\_

C. What action was taken? \_\_\_\_\_ (only one option)

- 1) Additional documentation provided to support amount on existing Tenant Certification
- 2) Household was recertified
- 3) Household Vacated Unit
- 4) Other (please explain)

If “Other” was check for Question 2.C, please provide an explanation

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D. Was any RA recouped? Y / N

E. If 2.D. is Yes, how much? \_\_\_\_\_



November 8, 2005

SUBJECT: Rural Development Business Programs Guidance for Disasters with  
Presidential Declaration - Loan Payment Deferral

TO: State Directors, Rural Development

ATTN: Business Programs Directors

This Unnumbered Letter provides guidance for Business Programs recipients located in areas covered by Hurricanes Katrina, Rita, and Wilma Presidential Disaster Declarations. Rural Development Business Programs anticipates that loan payment deferrals may be necessary. Therefore, all borrowers and grant recipients with operations located in areas identified in the disaster declaration are eligible for deferrals, as described below.

Rural Development Business Programs administers multiple programs that are governed by a number of different statutes and regulations. The programs under which payment deferrals may be offered include the Intermediary Relending Program (IRP); Rural Business Enterprise Grant (RBEG); Rural Economic Development Loan and Grant (REDLG), and the Business and Industry (B&I) Guaranteed and Direct Loan Programs.

The following provides guidance regarding the approval of such deferrals:

1. IRP regulations do not prohibit the extension of a deferral on a loan made by Rural Development to an intermediary. However, the ultimate loan term may not exceed 30 years from the original date of closing. State Offices seeking to grant one or more deferrals should reference RD Instructions 4274-D and 1951-R for guidance. Intermediaries may defer ultimate recipient payments at their discretion.
2. The RBEG program is a grant program, and payment deferral options are not applicable. However, RBEG grantees have the authority to defer payments for ultimate recipients. Rural Development is not required to concur in servicing actions between the grantee and its borrowers provided normal policies and procedures are followed.

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3. Under the REDLG loan program, Rural Development may defer payments due from a utility. Normally, the total term of a loan, including any principal deferment period, will not exceed 10 years. However, should a Rural Economic Development Loan recipient so request, the Administrator may, on a case-by-case basis, provide other servicing benefits. State Offices should reference 7 CFR Part 1703, Subpart B, Section 1703.29(a) and (b), for specific guidance.
4. For B&I Guaranteed and Direct Loans, Rural Development is authorized to grant 6-month principal and interest deferrals to businesses that are within the area designated by the disaster declaration. For guaranteed loans, lenders must request, and Rural Development may concur in, payment deferral actions. State Directors' loan servicing delegation of authority is hereby increased to \$10 million to approve payment deferrals. Please make the appropriate changes in the Guaranteed Loan System (GLS). Also, please remind the lender that Rural Development's guarantee does not cover capitalized interest, and that any loss calculations should be adjusted and appropriate documentation should be obtained accordingly. Lenders can reapply at the end of the deferral period if warranted.

When feasible, complete applicable lender and borrower field visits to the affected businesses at the earliest possible date to ascertain first hand the damages and discuss the borrower's business plan to recover from the disaster. You should document your findings on Form RD 4279-15, "Business & Industry Visit Review Report (Field Visit Review)." Based upon the findings, lenders, other assistance providers, and Rural Development can address the challenges facing the business and how we can work together to expedite the recovery process.

All servicing actions will be approved and processed by the State Office. Rural Development staff should contact lenders, borrowers, and assistance providers to advise of servicing options available. States are encouraged to consult with the National Office concerning unique servicing options. Currently, we are working with the Finance Office to revise GLS to reflect loan processing and servicing information related to the disaster.

*(Signed by David Rouzer) for*

PETER J. THOMAS  
Administrator  
Rural Business-Cooperative Service

November 8, 2005

SUBJECT: Community Development Technical Assistance Handbook

TO: Rural Development State Directors

USDA Rural Development staff has a key role to play in helping rural communities face the challenges and opportunities that confront rural America. These challenges and opportunities include: responding to declines in rural population, attracting and retaining jobs, providing quality housing and health care, maintaining schools and improving education, building and maintaining infrastructure, and protecting the rural environment. At Rural Development, we are charged not only with funding projects and programs to address these issues, but also with enabling communities to design and implement successful strategies for achieving their overall goals and objectives.

The purpose of the attached Community Development Technical Assistance Handbook is to provide information and guidance concerning the community development technical assistance process and the delivery of these services to Rural Development clients. This handbook may be used by you and your staff in combination with other guidance including the Community Development Programs briefing book and toolbox at: <http://ocdi.usda.gov>.

Should you have any questions on this Handbook, or any suggestions for improvement, please contact Barbara L. Nelson, Confidential Assistant to Deputy Administrator, Office of Community Development, Rural Development at 202-619-0358 or email [barbara.l.nelson@wdc.usda.gov](mailto:barbara.l.nelson@wdc.usda.gov).

*(Signed by Allan R. Johnson)*

Acting Deputy Administrator  
Office of Community Development

Attachment

EXPIRATION DATE:  
November 30, 2006

FILING INSTRUCTIONS:  
Community/Business Programs

Sent by Electronic Mail on **11/16/05** at **12:00 p.m.** by Office of Community Development.  
The State Director should advise other personnel as appropriate.

November 9, 2005

TO: All State Directors

ATTN: Rural Housing Program Directors

FROM: David J. Villano *(Signed by David J. Villano)*  
Deputy Administrator  
Single Family Housing

SUBJECT: Subsidy Repayment Agreement

Procedure Notice (PN) 391 dated October 5, 2005, advised the field of the revision to Form RD 3550-12, Subsidy Repayment Agreement. The form and manual insert were revised to amend the calculation for determining original equity to consider subordinate affordable housing products, to define market value within the formula, and to identify prior lien holders and subordinate affordable housing products.

The form with the revision date of August 2000 should continue to be used until such time as the current revision is corrected and placed in UniFi. Given the following questions and concerns (noted in bold), it is apparent that further revisions to the form and handbook are needed.

**According to the form, market value is defined as the lower of the purchase price, appraised value or construction cost. If the applicant owns the building site free and clear or if an existing non-Agency debt on the site will not be refinanced with Agency funds, the market value of the lot will be erroneously ignored if the construction cost is the lowest figure.**

This is a valid comment; the form will be revised to account for this situation.

**Handbook-1-3550, Paragraph 8.10 and 8.13 B, should be revised to clearly define market value as it relates to establishing original equity since the field is accustomed to equating market value with appraised value.**

This is a valid comment; the handbook will be revised.

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**Handbook-1-3550, Paragraph 8.10, now states that original equity is calculated using the market value at the time of loan approval/obligation for both new and existing properties. The form still indicates that the market value at the time of initial subsidy.**

This was an oversight. The form will be revised to indicate that the determination should be made at the time of loan approval/obligation for both new and existing properties and to clarify that the form should be completed at closing regardless of whether or not the borrower qualifies for payment assistance at that time.

**Why was the definition of market value changed on the form; should not the market value simply be the appraised value?**

In the mortgage industry, original equity is generally accepted to be the down payment on the property. With this change in definition, the Agency recognizes that original equity should only reflect tangible borrower contributions (such as a down payment, sweat equity, or the value of a site owned). Using the appraised value alone leaves the Government susceptible to fraud (be it intentional or otherwise).

**We often have situations in which our applicant is purchasing a home from their parents at a clearly discounted price. Shouldn't the applicant receive some credit for this equity?**

No. The applicant did not make an actual and tangible contribution to reduce the amount of the Agency loan.

**When the newest revision of the form is placed in UniFi, will the system automatically enter the market value?**

The market value will be pre-filled on the form provided an extraction computation can be created using fields in UniFi.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

November 15, 2005

SUBJECT: Scheduling of Use-or-Lose Annual Leave

TO: Rural Development State Directors  
National Office Officials

ATTN: Administrative Program Directors  
Human Resources Managers

The purpose of this memorandum is to remind everyone of the requirement to plan and schedule end-of-year annual leave, which must be used or forfeited (i.e., use-or-lose). For scheduling and planning purposes, employees are reminded that the 2005 leave year ends the last day of pay period 26, or **January 7, 2006**. Your projected end of the year annual leave balance can be found on your biweekly Statement of Earnings and Leave or on the Employee Personal Page at [www.nfc.usda.gov](http://www.nfc.usda.gov).

As you know, for GS employees, all annual leave in excess of 240 hours at the end of the leave year is subject to forfeiture. Senior Executive Service members are subject to a 720-hour maximum limitation on the amount of annual leave that may be carried over to the next year. Employees who have excess annual leave are reminded that they may donate leave to the voluntary leave transfer program or to the emergency leave transfer program for employees who have been adversely affected by Hurricanes Katrina and Rita.

Forfeited annual leave is not automatically or routinely restored. With proper leave planning by both supervisors and employees, a petition for leave restoration will be necessary only in rare situations. With two months remaining in the leave year, there is still adequate time for employees to schedule and take use-or-lose leave. However, if you have sufficient documentation and there is no alternative to canceling an employee's leave, the following requirements **must be** fully met:

**Advance Scheduling and Approval** – In order for annual leave to be restored to an employee in the event of forfeiture due to sickness of the employee, administrative error, or an exigency of public business, the annual leave **must be scheduled by the employee in writing and approved by his/her supervisor by November 25, 2005**.

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This can be done through approval of a properly executed OPM Form 71, "Request for Leave or Approved Absence" (Revised June 2001), or by submission and approval of a memorandum requesting annual leave. Either document should schedule the dates for all annual leave over the maximum carryover balance to avoid forfeiture. If restored, annual leave will be restored to a separate leave account due to administrative error, exigency of public business, or sickness.

**Determination of Exigency** - The determination that an exigency of major importance exists and that annual leave may not be used by employees to avoid forfeiture, must be made by the head of the agency or someone designated to act for him or her on this matter. Except where made by the head of the agency, the determination may not be made by any official whose leave would be affected by the decision. This determination must be approved in writing prior to cancellation of the employee's scheduled leave. Prior approval of the public exigency may only be waived in the event of a bonafide emergency.

The State Directors, Administrators, Deputy Administrators, and Assistant Administrators (in Rural Utilities Service) are authorized to declare public exigencies for all offices under their jurisdiction. This does not, however, include yourself or your immediate staff, i.e., Program Directors, your secretary, etc. The Administrators or the Deputy Under Secretary must make all decisions concerning public exigency declarations for State Directors, Deputy Administrators, Assistant Administrators, Staff Directors, and their immediate staffs.

**Cancellation of Scheduled Annual Leave** - In order for forfeited annual leave to be restored, the scheduled leave must be canceled or disapproved in writing. Supervisors/managers must approve annual leave requests by **November 25, 2005**, for employees who exceed their maximum carryover balance. Prior to cancellation of annual leave, proper approval must be obtained that a public exigency exists.

**Restoration of Forfeited Annual Leave** - The processing of all annual leave restoration cases will conform to the requirements of Title 5 of the Code of Federal Regulations part 630. In order to assist you, a guide for processing restoration of forfeited annual leave is attached. Please note that this is only a guide and that it does not preclude the requirement for submission of written documentation as indicated above, i.e., OPM Form 71, cancellation of annual leave in writing, etc. An employee's request for restoration of forfeited annual leave must be routed through appropriate supervisory and other approval channels. Annual leave must be scheduled and used not later than the end of the leave year ending 2 years after:

- The dates of restoration of the annual leave forfeited because of administrative error, or

- The date fixed by the head of the agency, or his or her designee, as the termination of the exigency of public business that resulted in forfeiture of the annual leave, or
- The date the employee is determined to be recovered and able to return to duty if the leave was forfeited because of sickness.

All requests (including justification for Exigency of Public Business, copies of the employee's OPM Form 71 requests, Exigency Guide Form and cancellation of scheduled leave memorandum) for restoration of forfeited annual leave for Administrators, State Directors and their immediate staff, should be forwarded to the Assistant Administrator for Human Resources, Rural Development, Room 1323, South Building, (STOP 0730), 1400 Independence Avenue, SW, Washington, DC 20250.

Please remember that annual leave must be forfeited before it can be restored. This means that an employee may not request restoration of any forfeited annual leave until after the end of the leave year on **January 7, 2006**. Additionally, you are advised that a request for restoration of forfeited annual leave due to a public exigency **will not be accepted or processed after March 31, 2006.**

If you need specific information concerning the appropriate procedures for restoration of annual leave, please contact Jennifer Chandler on (202) 692-0174 or via email at [jennifer.chandler@wdc.usda.gov](mailto:jennifer.chandler@wdc.usda.gov).

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

Sent by electronic mail on **11/15/05** at **4:30 p.m.** by Human Resources. State Directors and National Office Officials should advise other personnel as appropriate.



**GUIDE: RESTORATION OF ANNUAL LEAVE FORFEITED DUE TO EXIGENCY OF  
THE PUBLIC BUSINESS**

Employee Name: \_\_\_\_\_ Leave Year: \_\_\_\_\_  
Social Security No.: \_\_\_\_\_

**PART A Determination of Exigency of the Public Business**

Beginning Date: \_\_\_\_\_ Ending Date: \_\_\_\_\_  
NOTE: Attach a copy of written declaration of exigency.

Signature \_\_\_\_\_ Date: \_\_\_\_\_  
(Name & Title of Approval Official)

**PART B Cancellation/Disapproval of Scheduled Annual Leave**

Total Hours Cancelled/Disapproved: \_\_\_\_\_  
Dates: From \_\_\_\_\_ To \_\_\_\_\_

NOTE: Attach a copy of written cancellation/disapproval.

**PART C Verification of Number of Hours Forfeited**

Numbers of hours of annual leave forfeited by the employee at the end of the leave year:  
\_\_\_\_\_

If employee was able to use a portion of the canceled/disapproved leave, please indicate the  
number of hours used: \_\_\_\_\_

Signature \_\_\_\_\_ Date: \_\_\_\_\_  
Supervisor

**OTHER VERIFICATION (IF APPROPRIATE)**

Signature \_\_\_\_\_ Date: \_\_\_\_\_  
Name & Title

**PART D Employee Request for Restoration of Forfeited Annual Leave**

NOTE: Attach a copy of written request from employee or employee may use this guide to  
request restoration of forfeited annual leave. The employee must complete the following  
statement:

Based on the circumstances above, I am requesting restoration of \_\_\_\_\_ hours of forfeited  
annual leave.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

November 21, 2005

SUBJECT: Shuttle Schedule

TO: National Office Employees  
Washington, DC Only

In an effort to comply with the President's directive for Federal agencies to make every effort to reduce fuel and energy consumption, the Food and Nutrition Service Shuttle Service will be implementing a schedule change effective November 28, 2005. The schedule is attached. Please note that the change is to reduce from three shuttles per hour to two shuttles per hour between the buildings where USDA employees are located.

If you have any questions, please contact Bill Smith, Acting Director of the Support Services Division, at (202) 692-0022 or by e-mail to [bill.smith@wdc.usda.gov](mailto:bill.smith@wdc.usda.gov).

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

EXPIRATION DATE:  
November 30, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

November 22, 2005

TO: State Directors  
Rural Development

ATTENTION: Rural Housing Program Directors

FROM: David J. Villano *(Signed by David J. Villano)*  
Deputy Administrator  
Single Family Housing

SUBJECT: Section 523/524 Site Loan Servicing

The purpose of this Unnumbered Letter is to provide guidance on servicing Rural Development's Section 523 and Section 524 Site Loans.

These loans are made to private and public non-profit organizations to purchase and develop single-family housing sites. Loans are limited to a two-year period. The success of the loans depends on timely action and strong marketing efforts by the borrowing organization. These organizations may lack experience in site development or be affected by economic circumstances beyond immediate control.

Because of the large size of these loans and risks involved, states should follow progress carefully to anticipate problems and reduce loss to the government. Supervision will be provided borrowers to the extent necessary to achieve the objectives of the loan and to protect the interests of the government.

Rural Development Instruction 444.8 and 7 CFR 3560 provide guidance in both making and servicing these loans. Briefly, among the servicing requirements are:

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Marketing efforts should be tracked. If conditional commitments are issued for construction to be financed with Section 502 funds, the borrower organization is required to notify “all qualified builders in the area of the availability of Rural Housing sites and given an equal opportunity to participate.” Rural Development should provide necessary supervision to assure this action is taken. At a minimum, the borrower must submit a signed statement listing contacts and action taken;

Sales proceeds must be collected. As lots are sold, proceeds will be applied on the account or any prior lien. Any other use of funds in a manner consistent with the purposes of the loan must have prior approval of the National Office;

A monthly report of the income and expenses should be obtained. Borrowers are required to maintain a site development account as long as the loan obligations remain unsatisfied. A complete accounting of all income and source of funds for each expenditure will be provided. Rural Development must approve all disbursements from this account;

All provisions or conditions of approval must be monitored. Servicing officials are responsible for effective borrower supervision, including site visits and management reports. Servicing officials should be familiar with the borrower’s management plan and provide necessary guidance;

Site visits will be completed. Servicing officials and other authorized persons will visit the site, including the management office, as necessary to accomplish the objectives of the loan. In most cases, visits should be made quarterly, with a thorough supervisory visit every 12 months. Section 3560.58 which pertains to site development will serve as a guide for these visits;

Progress of lot sales should be monitored closely. Servicing officials should work closely with the borrower to plan for the sale of all lots prior to the due date of the loan. Lots may be sold only to eligible individuals with low or moderate income or to agencies or organizations serving such individuals. If necessary the borrower may adjust the sales price, not to exceed the market value, while assuring adequate income to repay the loan and other authorized obligations; and;

If the borrower defaults, the servicing official will provide a report to the State Director. The report should contain the following: Status of account, number of lots unsold, and reasons for the problem; prospects of selling the lots to eligible buyers and a target date as to when this can be accomplished; and, comments and recommendations for future servicing, including possible liquidation.

7 CFR 3560 provides guidance on special servicing of these accounts. This includes actions such as reamortization, subordination, sale outside the program and consent to other liens which are restricted or require National Office approval.

Because of recent losses and the higher-risk of Section 523/524 Site loans, more careful monitoring of all outstanding accounts is warranted. **States are requested to complete and return the attached loan status report by December 1, 2005.** A separate report is required for each Section 523 or 524 loan. Return to the attention of Nica Mathes via fax at (202) 720-2232 or e-mail at [nica.mathes@wdc.usda.gov](mailto:nica.mathes@wdc.usda.gov). **A negative report is required.**

If you have any questions regarding this memorandum, please contact Nica Mathes of the Single Family Housing Direct Loan Division at (202) 205-3656.

Attachments

# 523/524 Site Loan Status Report

Loan Type (523 or 524) \_\_\_\_\_ Date \_\_\_\_\_

Borrower \_\_\_\_\_ State \_\_\_\_\_

Date Closed (or obligated, if unclosed) \_\_\_\_\_

Date Last Site Visit \_\_\_\_\_

Loan Balance \_\_\_\_\_

Prior Liens \_\_\_\_\_ Amount \_\_\_\_\_

Creditor(s) \_\_\_\_\_  
\_\_\_\_\_

Project Description \_\_\_\_\_

Present Stage of Development \_\_\_\_\_

Total Number of Lots \_\_\_\_\_

Lots Sold To \_\_\_\_\_ Date \_\_\_\_\_

Projected Lot Sales Next 6 Months \_\_\_\_\_

Estimated Number & Value of Unsold Lots \_\_\_\_\_

Are Conditional Commitments Used/To Be Used? \_\_\_\_\_

If yes, date local builders were notified \_\_\_\_\_

Are Development Account Income & Expense Report Provided? \_\_\_\_\_

Are all disbursements approved by RHS? \_\_\_\_\_

Describe any problems or discrepancies \_\_\_\_\_

Is Loan Expected to be Paid In-Full by Due Date? \_\_\_\_\_

If no, describe actions taken and planned \_\_\_\_\_

Return to National Office by:  
December 1, 2005

FAX to: (202) 720- 2232  
Attention: Nica Mathes

November 29, 2005

**SUBJECT:** Section 504 of the Rehabilitation Act of 1973 Requirements

**TO:** Rural Development State Directors  
Rural Development National Office Officials

**ATTN:** Rural Housing Service Multi-Family Housing Program Directors, State Civil Rights Managers and Coordinators, Administrative Program Directors, and Management Control Officers

The U.S. Department of Agriculture issued a Departmental Regulation (7 CFR Part 15b) on June 11, 1982, implementing Section 504 of the Rehabilitation Act of 1973. The Departmental Regulation requires recipients of existing facilities to conduct self-evaluations to determine whether there are barriers that should be removed. Once identified, nonstructural barriers should be removed immediately. If structural barriers are identified, a transition plan shall be developed, setting forth the steps necessary to complete such changes with established timeframes for completion. The plan shall be developed with the assistance of persons or organizations who are knowledgeable about accessibility issues as outlined in the Uniform Federal Accessibility Standards. In addition to structural barriers, policies and procedures must be reviewed.

A record of the evaluation must be made available for public inspection and provided to the Agency. Attached are the requirements for a self-evaluation record and a transition plan. State Directors are required to instruct field staff to provide the attached requirements to all Multi-Family Housing recipients.

During civil rights compliance reviews, recipients must be found in non-compliance with Section 504 requirements when; a self-evaluation has not been conducted or a transition plan has not been developed, when needed. If accessibility issues are noted but not addressed by the self-evaluation, the recipient will be asked to amend the self-evaluation and modify the transition plan. Recipients will be notified, in writing, of the non-compliance review findings

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and be given the opportunity to voluntarily comply. If voluntary compliance cannot be achieved, the non-compliance status is to be referred to the National Office Civil Rights Staff, through the State Civil Rights Manager/Coordinator and the State Director. If the recipient continues to be found in non-compliance, the matter may ultimately be referred to the Department of Justice for enforcement action.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

Sent by electronic mail on 11-29-2005 at 11:30 a.m. by CRS.  
Rural Development State Directors and National Office Officials should advise other personnel as appropriate.



## **Self-Evaluation and Transition Plan Requirements USDA Departmental Regulation (7 CFR Part 15b)**

### **Self-Evaluation**

A **self-evaluation** must be conducted with the assistance of persons or organizations who are knowledgeable about accessibility issues. A self-evaluation record must be maintained for at least three years. The self-evaluation record must be made available for public inspection, and be provided to the Agency upon request.

A self-evaluation record must:

- (1) Evaluate, with the assistance of interested persons, including persons with disabilities or organizations representing disabled persons, its current policies and practices, and the effects thereof;
- (2) Modify, after consultation with interested persons, including disabled persons or organizations representing disabled persons, any policies and practices that do not meet the requirements of this part;
- (3) Take, after consultation with interested persons, including disabled persons or organizations representing disabled persons, appropriate remedial steps to eliminate the effects of any discrimination that resulted from adherence to these policies and practices, and;
- (4) Contain; (a) A list of the interested persons consulted; (b) A description of areas examined and any problems identified and; (c) A description of any modifications made, and of any remedial steps taken.

### **Transition Plan**

A **transition plan**, if it is necessary to remove structural barriers, shall be developed setting forth the steps necessary to complete the changes, with the assistance of interested persons, including disabled persons or organizations representing disabled persons, who are knowledgeable about accessibility issues and the Uniform Federal Accessibility Standards. A copy of the plan shall be made available for public inspection.

At a minimum, transition plans are required to:

- (1) Identify physical obstacles in the facilities that limit the accessibility of its programs or activities to persons with disabilities;
- (2) Describe in detail the methods that will be used to make the facilities accessible;
- (3) Specify the schedule (dates) for taking the steps necessary to achieve full program accessibility, and if the time period of the transition plan is longer than one year, identify steps that will be taken during each year of the transition period, and;
- (4) Identify the person responsible for implementation of the plan.

November 30, 2005

SUBJECT: Fiscal Year 2005 State Internal Review  
Summary Report

TO: Rural Development State Directors

ATTN: Administrative Program Directors and  
Management Control Officers

This memorandum is a reminder that RD Instruction 2006-M, "Management Control System," requires each state to conduct State Internal Reviews (SIRs), a comprehensive evaluation review of program and administrative functions, in its offices during the fiscal year. The State Director is required to submit a Summary Report on the results of the SIRs to the Director, Financial Management Division (FMD).

Please submit your report to FMD no later than **December 30, 2005**. The timely submission of your report will be closely monitored. In the event that all of the reviews in your state have been completed, please feel free to submit your Summary Report to FMD prior to the **December 30, 2005**, due date.

In addition, the RD Instruction 2006-M also requires the following to be submitted to FMD:

- A copy of the SIR 5-Year Plan whenever it is updated or revised:
  - The annual update for Fiscal Years 2006 through 2010 is due by **December 30, 2005**; and
  - Revised between the annual updates when additional changes or updates are made.
- Notification of any change in the Management Control Officer (MCO) designation. (To ensure statewide awareness all state employees should also be notified of any changes to the MCO designation and how to contact them.)

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October 31, 2006

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If you have any questions, please contact John Purcell, Director, FMD at 202-692-0080.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on (date) 11/30/05 at 4:30p.m. by FMD.  
The State Director should advise other personnel as appropriate.

November 30, 2005

SUBJECT: Faith-Based and Community Initiatives (FBCI) Teleconference

TO: Rural Development State Directors

ATTN: Faith-Based and Community Initiatives Coordinators and Alternates  
Administrative Program Directors

A teleconference has been scheduled for Tuesday, January 10, 2006, from 3:00PM to 4:30PM EDT. We will be discussing the Faith-Based and Community Initiative (FBCI), including reporting, public outreach, the equal treatment rule (7CFR Part 16), and any questions that State FBCI Coordinators/Alternates forward for discussion. In addition to those addressed, Program Directors for the Housing and Community Facilities Programs, the Utilities Programs and Public Information Coordinators/Public Affairs Specialist may wish to participate. We have reserved 60 lines so please try to keep your state to one line. The bridge number for the teleconference is (202) 554-1742, PIN: 7297#.

If you would like specific information covered regarding the FBCI data collection, reports, public outreach, or have questions that you would like addressed, please email them to [rhonda.brown@wdc.usda.gov](mailto:rhonda.brown@wdc.usda.gov), by January 6, 2006.

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January 31, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

We plan to hold a FBCI teleconference quarterly. We are looking forward to having an opportunity to communicate as a group. Please feel free to contact Rhonda Brown, (202) 692-0298, if you have any questions.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on **12/01/05** at **8:03AM** by the Office of the Deputy Administrator for Operations and Management.